

From: [M Standish](#)
To: [Armaguard-Prosecur Merger](#)
Subject: Maximum Protection : MA1000022 - submission
Date: Thursday, 19 January 2023 6:24:49 PM
Attachments: [image001.jpg](#)

Dear Louisa,

Please accept our submission in response to the **ACCC Statement of preliminary views – Armaguard and Prosecur application for merger authorisation.**

Any parts of the submission that we would prefer not to be included as part of the public register due to commercial reasons or because of potential detriment to our business have been highlighted in yellow.

We look forward to your pending decision on this matter.

Kind Regards,

Michael Standish

Director of Operations

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1. A single supplier would have both the ability and the incentive to increase prices in an effort to recoup their stated "losses" from the last few years, but also as a means of being able to restore profit margins to levels that would be unachievable under current conditions.

This would also result in a decrease to the quality of service to customers via decreases in service frequency, what services are available to customers based on geographic location, utilisation of sub-contractors in certain regions as a means to lower costs or as a means of decommissioning satellite depots.

3. Customers, especially of the large national variety would / will pay higher prices for services to be maintained at current levels as CIT services are an essential service for the ongoing continuity of their businesses.
5. New entry, expansion, insourcing by customers or major bank sponsorship into the market would be
 - (i) Extremely unlikely,
 - (ii) New entry / expansion could not realistically be organised and executed in timeframes that would fit in with a potential exit by one of Armaguard / Prosegur.
 - (iii) The only realistic means of another entity being able to provide services of a comparable scope and nature would be via the acquisition of one of the exiting parties.

5.a. (i) Costs to enter the market on a national basis, even on a slightly smaller scale would be significant and almost completely unrecoverable due to the specificity of plant, equipment, software, depots required to provide a comparable service. Even if a new entry only had depots in capital cities,

ACCO's would need to fit out secure facilities with vaulting capacity, cash rooms and associated machinery, firearms, a minimum of 10 armoured vehicles per depot (@ a vastly underpriced \$100K a piece still would mean a minimum outlay of \$8 Million on armoured vehicles), Softskin and FLM

vehicles, CIT specific vaulting / route planning / reconciliation / Cencon lock software etc.

Therefore a conservative estimate would still require at least a \$40 Million + outlay before being in a position where a national major bank, supermarket chain etc. would consider utilising their services as a potential alternative to the applicants. If both Armaguard and Prosegur with established

long term market share believe they cannot provide profitable services, there is effectively zero chance of a new entrant spending \$40 M + on an unprofitable venture.

6. An additional barrier to entry is the nature of the CIT industry in which the client attitude and choices (even if unhappy with their current services), generally choose to continue receiving services from "the devil they know" over and above any change of provider to an "unknown entity".
7. Should something of this nature take place, it would effectively kill off any sort of lower level competition that remained in the market post-merger. This would also create further detriment to customers and the general public by further limiting access to cash.
8. Should a merger be approved, the bargaining power of large CIT customers in a monopolised market effectively becomes zero due to the fact that no viable alternative

providers would exist and it would not be economically feasible to internalise this type of service on a national basis for any of the customer companies, thus enabling the sole national supplier to charge and service clients in any way they see fit without repercussion.

9. As a general rule, independent ATM deployers are constrained predominantly by Armaguard or Prosegur, as to get supplied by a bank, ATM cash has to be specifically ordered in or it has to be sourced direct from Armaguard or Prosegur. Banks day to day holdings have been reduced to the point that independent operators cannot access the volume of cash required to perform ATM replenishments without ordering a delivery by Armaguard / Prosegur to their bank.
10. This is a highly likely tactic that could be employed by the merged entity to further reduce competition by refusing supply to independent ATM suppliers, by pricing them out of the market or by withholding services to customers if not bundled as a package with all of the other services the merged entity would provide.

12.a. While cash usage declined pre-COVID and further during COVID, there are also numerous reports and case studies showing that cash usage is increasing post – COVID in countries that came out of lockdowns sooner than Australia. The other reason that cash usage is trending up again globally is

because most countries are currently also dealing with inflationary pressures which also cause increases to cash usage as a by-product of high interest rates, as people tend to use cash as a control mechanism for personal budgeting as they cannot spend more than what they have in their hands.

[Redacted text block]

[Redacted text block]

[REDACTED]

15.b. Realistically, no large customer has shown a willingness to sponsor or back another CIT suppliers operation at any point. Incremental expansion is not feasible from a service continuity standpoint for customers and [REDACTED] to my knowledge the list of potential acquiring companies for the

complete Australian operation is pretty thin.

16.a. Should a suitable agreement be made [REDACTED], the timing of an exit would be possible effective immediately if need be and would not cause any undue disruption to service.

[REDACTED]

18.a. While there would be a potential market for cash transport only services, it would still result in the two applicants then providing most if not all of the processing and administration aspects due to the reduction in staffing and capability across all of the major banks to perform any sort of processing

functions anymore.

[REDACTED]

21.d. Were the withdrawal to occur on short notice without an orderly wind-down, disruption to service, businesses having to fold across multiple industries, widespread panic leading to bulk cash withdrawals due to supply shortages in a similar vein to the COVID food and toilet paper hoarding, as well as

the associated chaos that would create, are potentially some of the significant risks that could occur.

Potential counter-measures to address this type of risk could be government mandated assumption of control over the exiting parties operation or the delegation of operational control to an interested third party, so as to prevent any disruption and ensure continuity of service to both

businesses and consumers.

24.a. Any potential benefits of this nature would be nominal at best in the greater scheme of things.